

KAUTILYA'S ECONOMIC IDEAS AND ITS RELEVANCE IN INDIAN KNOWLEDGE SYSTEM

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INTRODUCTION

Arth is one of the purusharthas, the others being dharma, kama, and moksha. *Arth* has a much wider meaning than just wealth. The source of livelihood is wealth, and the wealth of the nation encompasses the territory and its inhabitants. *Shastra* is science, therefore the science by which the wealth of a nation is acquired and maintained in achieving the purpose of Dharma in context of a nation is Arthashastra.

Kautilya's Arthashastra is the chief source of information and a monumental work on statecraft in ancient India. Kautilya's name was Vishnu Gupta. He is known by the name of Kautilya because he was an expert in diplomacy and political strategy. His famous book 'Arthashastra' is essentially a book on state management and guide to the means of acquisition and prevention of the wealth. The book 'Arthashastra' is based on earlier treaties and is divided into 15 *adhikaranas* or books. The book have a total of 150 chapters, 180 topics and a total of 6000 shlokas. It gives details of the political, social, economic and military organisations of the past, and especially of the Mauryan Empire.

Kautilya took the term wealth in a very broader sense. According to Kautilya, wealth is essential for a state remaining sovereign but the management of wealth, Kautilya has frequently mentioned that the king must keep his subjects happy and should not impose any oppressive rules except during emergency (Sarkar, 2000). Generally, people in ancient India realized the importance of wealth for the welfare of mankind. In fact, acquisition of wealth was described as one of the four major goals of life, namely *Dharma* (charity), *Artha* (wealth), *Kama* (Love), and *Moksha* (salvation). Kautilya was of the view that wealth is to be acquired grain by grain, as learning is to be acquired every moment.

OBJECTIVES

1. To highlights the significance of economic ideas of Kautilya.
2. To focus on optimum management;

METHODOLOGY

The entire paper is based on descriptive in nature. The information is collected from different structure, books on history of economic thoughts. The paper highlights significance of economic ideas of Kautilya.

SIGNIFICANCE OF ECONOMIC IDEAS OF KAUTILYA

Development of Infrastructure

Kautilya understood the primary importance of infrastructure set up for development of the economy. He laid much importance to communication and transport. The means of transport possessed outstanding importance in ancient India. Kautilya in his 'Arthashastra' stressed the role of land-routes and water routes for trade purposes, defence purposes, and general transportation. He suggested construction of roads around villages, forts, fortified cities, farms, etc. He also emphasized river and sea traffic mainly for trade purposes. Various types of roads were classified i.e. the Rajya-Marga, or the King's way, high way, the provincial roads. Roads were to be utilized by chariots, bullock-carts and caravans.

Demand and supply

Kautilya was familiar with the concept of demand and supply and their combined influence on price. A king, in his opinion, should not arbitrarily fix the price of a product without regard to its supply and demand situations. Without proper consideration of demand and supply, we can think of a price that may not be claimed to be a just price which may maximize the welfare of both consumers and producers.

Public finance

Taxation was one of the most important sources of revenue of the state. It was known as '*rajkar*'. Kautilya attached great significance to public finance in the national economy. Land revenue was an important source of revenue in ancient India. Kautilya had some ideas about the features of a good tax system. The tax system should be such as not to prove a great burden on the public (*praja*), the kind should act like the bee which collects honey without unconvincing the plant. In addition to regular taxes, special levies were imposed on farmers. Farmers cultivating wet lands yielding abundant crops, had to pay one-third or one-quarter of the produce as tax.

The Economic system

According to Kautilya, the main sectors in the economy are agriculture, cattle rearing, trade, small industries/factories and services and there are the sources of income output and employment. For the development of all these sectors and employment, Kautilya advocated a wide ranging public works policy to build infrastructure like road, and power routes, irrigation works and canal etc.

Welfare state

The economic and political strength of the state enabled it to render a wide range of social services. Far from being a police state, significance of Kautilyan state was a welfare state. It was the duty of a king to strive for the happiness of his subjects. The ancient Indian thinkers had a very clear concept of the welfare state. The functions of the state were governed by moral dictates. Each citizens were guaranteed protection against starvation. An equitable distribution of wealth and food was the objective of state administration. Wages were determined on the basis of equality and justice. There was no exploitation of labour by the employers or of the cultivators by the landlords and the capitalists.

Kautilya regarded wealth as the basis of strengthen and power of a country. So he suggested that industries producing gold, silver, diamonds and iron should be state-owned, private enterprise was to be allowed in agriculture, weaving, arts and crafts and private property rights were recognized. However, production, exchange and consumption were regulated by the state with the object of promoting maximum efficiency and equitable distribution.

Dignity of labour

Kautilya recognized labour as an active and important factor of production. Huge number of workers were employed by the king to promote agriculture, livestock, forestry, industries, mining, transport, social services, etc. besides free, paid agricultural labour workmen were also engaged in various crafts and manufacturing concerns for wage. He had dealt with the methods for the regulation of wages, and for the settlement of disputes between employers and workers. He was of the view that wages must be adequate three fold wage; system- wages on contract basis, periodical payment and advance payment. Kautilya emphasized the proper working condition, training, and social security to labours and payment mode should be made either daily, weekly, fortnightly, monthly, quarterly, six-monthly, yearly or on completion of the work.

Kautilya classified various categories of labourers like Slaves, Bonded labour, Unpaid labour, Causal labour, regular workers and self-employed. Kautilya also recognized the '*ashram vyavastha*' of the more ancient thinkers. He did not recommend slave labour. Kautilya laid down a code of discipline for labour in which he prescribed penalty for those who refused to work after receiving wages. In certain cases, labourers also were entitled to leave. The worker and the employer may also enter into a written contract.

Agriculture

Agriculture is a way of living for the rural population. Kautilya recommended that the concrete plan for the agricultural development should be prepared and implemented properly. Rural population and land were considered essential for economic and political power of the state. The available land in the state should be properly cultivated. There should be punishment for those, who neglect cultivation. Those who neglect to cultivate their land, their land should be transferred to those who were interested to cultivate the land. It is the responsibility of the state to provide loans and advances to the cultivators. The government should undertake the irrigation works, particularly in those lands where there is a wide variation in rainfall.

Varta

The ancient thinkers have, most commonly used the term "*Varta*" (Economics) which means the science of national economy. Kautilya included agriculture, animal husbandry and trade in *Varta*. If it was destroyed, the world would be lifeless. It was Kautilya, who replaced the term *Varta* by *Arthashastra*, a combination of economics, political science, ethics, and military science.

Forest

The state was responsible for the proper development of forests, of which it was the sole owner. A distinction is drawn between elephant forests to be established on 'the boarder of the country' and intended for military

purposes, and product forests with economic value. The King, states of Arthashastra, should established product forests, one for each important product, as well as factories for manufacturing goods made from forest produce.

Mineral resources

Another important area of state activity was the development of mineral resources. All mines were owned by the state. The starting of new mines and the renewal of old discarded ones was thus an important state activity, under the charge of 'the director of mining'. According to Kautilya, those mines are the best which yield rich ores, are easily accessible and capable of being operated at a small cost. In the earlier times the view had been expressed that a small mine yielding products of high value such as diamonds, etc. was to be preferred. As against, Kautilya expresses himself in favour of a large mine, even if it yields products of comparatively small value, on the grounds that the latter command continuous sale, while articles of high value have limited market.

Value and trade

Another important area of economic activity by the state is trade. According to the Arthashastra, the state was receive a large part of its income in kind. The state also had a monopoly of the manufacture of a large variety of goods. Trading by the state is a natural consequences; indeed the Arthashastra prescribes that the state engage in trade on an extensive scale. Kautilya discussed in details some of the problems of trade such as regulation and development of trade by the state and the different taxes to be levied on the commodities that entered in trade.

The concept of mixed economy was there even during the days of Kautilya. Land was primarily in the public sector, with the state holding all lands, forests and water resources. Mining and fishing were in both the sectors. Manufacture and sale of alcoholic drinks, gambling and betting were under state monopoly. Trade in gold, silver, precious stones and prostitution was strictly controlled by state (L.N. Rangarajan, 1992).

Industrial policy

Industrial activity of the state given considerable attention is textiles. This is not described as a state monopoly by the Arthashastra, which also refers to private production. However, the state was expected to engage in production of textiles on an extensive scale, and to maintain strict control and supervision on that part of the industry that was in private hands.

Social security

During the time of Kautilya, the system of social security was not so elaborate as it is found today. Kautilya had expressed his view on social welfare. He believed that it was the prime duty of the state to provide charitable institutions and poor houses for the maintenance of the poor, for providing jobs to the unemployed and for protecting the weak and the aged. This clearly proves that Kautilya was very well aware of the importance of social security.

Income and employment

Kautilya emphasized on the production by masses of mass consumption goods to ensure adequate income and employment. He pointed out that agriculture, cattle rearing small industries, trade and services are the main avenues for employment. Kautilya emphasized on public works policy to build forts, roads, water, routes, irrigation and canal works, stores, warehouses, armories etc. Kautilya advocated that development of these sectors would solve the problem of unemployment of the country.

CONCLUSION

Kautilya Arthashastra composed the around fourth century BC is the oldest and most exhaustive treatise on statecraft and on issues of diplomacy, war, peace, intelligence, security, unemployment, ensuring equality, fairness in distribution of the resources, and political economy. His work Arthashastra lays the conceptual foundation for making India the first welfare state and explains infrastructure development, dignity of labour, agriculture, trade, and social security. He advocates welfare not only human welfare but even pays attention to animal welfare. He advocates the protection of the livelihood of the weaker section, consumer protection, and even the welfare of prisoners also. He highlights the Dharma of the King which should be fair and liberal in protecting his people which is more relevant in modern times to understand the Dharma of political executives in the current era to the society and people of India. Thus, India in the 21st Century and as emerging power needs a Comprehensive National Strategy with clear-cut vocalized National Priorities and these are required to be derived from our ancient all-inclusive monograph of Kautilya Arthashastra.

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